

CITY OF ELDRIDGE, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2012

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**CITY OF ELDRIDGE, IOWA
OFFICIALS
June 30, 2012**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Marty O'Boyle	Mayor	January 2014
Brain Wood	Council Member	January 2012
Brian Dockery	Council Member	January 2014
Steve Mohr	Council Member	January 2014
Bernie Peeters	Council Member	January 2016
Steve Puls	Council Member	January 2016
Adrian Blackwell	Council Member	January 2016
Lynnelle Anderson	Utility Board Trustee	February 2014
Michael E. Ripperger	Utility Board Trustee	February 2015
Donald M. Stoltenberg	Utility Board Trustee	February 2017
Michael Anderson	Utility Board Trustee	February 2018
John R. Dowd	City Administrator	
James C. Martin	Assistant City Administrator	
Denise M. Benson	City Clerk	
Thomas R. Shirman, Jr.	City Attorney	

Independent Auditor's Report

The Honorable Mayor and
Members of the City Council
City of Eldridge, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eldridge, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Eldridge, Iowa, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2012, on our consideration of the City of Eldridge, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 11 and 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting

Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Eldridge, Iowa's financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the five years ended June 30, 2009 (which are not presented herein) were audited by other auditors whose reports expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Miner, Gibby & Meade
Certified Public Accountants, PC

Clinton, Iowa
December 17, 2012

CITY OF ELDRIDGE, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

The City of Eldridge, Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statements.

2012 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental program and activity revenues increased \$1,011,634 or approximately 23.82% over the prior fiscal year. Program expenses of the City's governmental activities slightly increased \$35,256 or approximately .62% over the prior fiscal year.
- Revenues and expenses of the City's business type activities remained fairly consistent to the prior year. Revenues decreased \$23,814 or approximately .36% over the prior fiscal year; and business type activities expenses increased \$37,540 or approximately .56% over the prior fiscal year.
- The City's total net assets decreased \$565,769 or approximately 1.03% from June 30, 2011 to June 30, 2012. Of this amount, the net assets of the governmental activities decreased \$404,637 and the net assets of the business type activities decreased \$161,132.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Net Assets and a Statement of Activities. These statements provide information about the activities of the City of Eldridge, Iowa as a whole and present an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplemental Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplemental Information provides detailed information about the City's nonmajor governmental funds and special revenue funds. In addition, the Schedule of Expenditures of Federal Awards provides details of the federal program benefiting the City.

CITY OF ELDRIDGE, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

REPORTING THE CITY'S FINANCIAL ACTIVITIES

1) Government-wide Financial Statement

The Statement of Net Assets and the Statement of Net Activities report all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The Statement of Net Assets and the Statement of Activities report two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and intergovernmental payments finance most of these activities.
- Business-type Activities include the water and electric utilities, sanitary sewer system, the community center, and the fitness center. These activities are financed primarily by user charges.

CITY OF ELDRIDGE, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

REPORTING THE CITY'S FINANCIAL ACTIVITIES (CONTINUED)

2) Fund Financial Statements

The City has two kinds of funds:

Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include the General Fund; the Special Revenue Funds, such as Road Use Tax, Sales Tax Projects, Hotel Tax, and TIF funds; Capital Project funds of Capital Improvement and Street Projects; and Debt Service. These funds are reported using the current financial resources measurement focus and modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures, and changes in fund balance. Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

Proprietary funds account for the services for which the City charges customers for the service it provides. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the proprietary funds and the business type activities included in the government-wide statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements. Proprietary funds include the Electric Fund, Water Fund, Sewer Fund, Community Center Fund and Fitness Center Fund, each considered to be a major fund of the City. The City is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

The financial statements required for proprietary funds include a statement of net assets, a statement of revenues, expenses, and changes in fund net assets and a statement of cash flows.

CITY OF ELDRIDGE, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets for governmental and business type activities.

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>June 30,</u> <u>2012</u>	<u>June 30,</u> <u>2011</u>	<u>June 30,</u> <u>2012</u>	<u>June 30,</u> <u>2011</u>	<u>June 30,</u> <u>2012</u>	<u>June 30,</u> <u>2011</u>
Current and other assets	\$ 5,040,815	\$ 4,308,753	\$ 6,860,545	\$ 5,933,336	\$ 11,901,360	\$10,242,089
Capital assets	<u>8,798,095</u>	<u>10,006,454</u>	<u>41,404,334</u>	<u>42,748,078</u>	<u>50,202,429</u>	<u>52,754,532</u>
Total assets	<u>13,838,910</u>	<u>14,315,207</u>	<u>48,264,879</u>	<u>4,8681,414</u>	<u>62,103,789</u>	<u>62,996,621</u>
Other liabilities	1,939,746	1,883,262	189,979	134,449	2,129,725	2,017,711
Long-term liabilities	<u>4,573,845</u>	<u>4,701,989</u>	<u>3,192,411</u>	<u>3,503,344</u>	<u>7,766,256</u>	<u>8,205,333</u>
Total liabilities	<u>6,513,591</u>	<u>6,585,251</u>	<u>3,382,390</u>	<u>3,637,793</u>	<u>9,895,981</u>	<u>10,223,044</u>
Net assets:						
Invested in capital assets, net of related debt	4,448,095	5,421,454	38,384,468	39,415,160	42,832,563	44,836,614
Restricted	1,004,622	1,180,898	420,575	420,575	1,425,197	1,601,473
Unrestricted	<u>1,872,602</u>	<u>1,127,604</u>	<u>6,077,446</u>	<u>5,207,886</u>	<u>7,950,048</u>	<u>6,335,490</u>
Total net assets	<u>\$ 7,325,319</u>	<u>\$ 7,729,956</u>	<u>\$ 44,882,489</u>	<u>\$45,043,621</u>	<u>\$52,207,808</u>	<u>\$52,773,577</u>

Net assets of governmental activities decreased \$404,637 or approximately 5.23%. Net assets of business type activities decreased \$161,132 or approximately .36%. The largest portion of the City's net assets was invested in capital assets less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions. Unrestricted net assets, the part of the net assets that can be used to finance day-to-day operations, were \$7,950,048 at the end of this year, compared to \$6,335,490 in the prior fiscal year.

CITY OF ELDRIDGE, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Revenues:						
Charges for service	\$ 614,894	\$ 550,183	\$ 6,523,512	\$ 6,538,065	\$ 7,138,406	\$ 7,088,248
Capital grants and contributions	581,838	155,248	-	-	581,838	155,248
General revenues:						
Property tax levied for:						
General purpose	1,734,766	1,682,853	-	-	1,734,766	1,682,853
Debt service	37,427	37,740	-	-	37,427	37,740
Tax increment financing	789,653	544,048	-	-	789,653	544,048
Franchise tax	47,354	47,450	-	-	47,354	47,450
Road use tax	536,004	485,472	-	-	536,004	485,472
Local option sales tax	784,812	677,416	-	-	784,812	677,416
Assessments	5,201	4,891	-	-	5,201	4,891
Interest on investments	2,410	3,383	9,574	11,190	11,984	14,573
Miscellaneous	124,131	50,122	29,515	34,760	153,646	84,882
Gain on disposition of assets	-	8,050	-	2,400	-	10,450
Total	<u>5,258,490</u>	<u>4,246,856</u>	<u>6,562,601</u>	<u>6,586,415</u>	<u>11,821,091</u>	<u>10,833,271</u>
Program expense						
Public safety	924,171	838,048	-	-	924,171	838,048
Public works	3,636,403	3,715,560	-	-	3,636,403	3,715,560
Culture and recreation	339,026	205,858	-	-	339,026	205,858
Community and economic development	241,889	248,406	-	-	241,889	248,406
General government	382,340	447,182	-	-	382,340	447,182
Interest on long-term debt	161,898	199,917	134,856	153,743	296,754	353,660
Electric	-	-	4,044,991	4,111,364	4,044,991	4,111,364
Water	-	-	727,323	650,391	727,323	650,391
Sewer	-	-	1,197,005	1,203,170	1,197,005	1,203,170
Community center	-	-	262,553	281,647	262,553	281,647
Fitness center	-	-	255,155	257,778	255,155	258,778
Loss on disposition of assets	4,500	-	74,750	-	79,250	-
Total	<u>5,690,227</u>	<u>5,654,971</u>	<u>6,696,633</u>	<u>6,659,093</u>	<u>12,386,860</u>	<u>12,314,064</u>
Changes in net assets						
Before transfers	(431,737)	(1,408,115)	(134,032)	(72,678)	(565,769)	(1,480,793)
Transfers	27,100	11,800	(27,100)	(11,800)	-	-
Net assets, beginning of year	<u>7,729,956</u>	<u>9,126,271</u>	<u>45,043,621</u>	<u>45,731,701</u>	<u>52,773,577</u>	<u>54,365,370</u>
Net assets, end of year	<u>\$ 7,325,319</u>	<u>\$ 7,729,956</u>	<u>\$44,882,489</u>	<u>\$45,043,621</u>	<u>\$52,207,808</u>	<u>\$54,773,577</u>

CITY OF ELDRIDGE, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Net assets of governmental activities decreased \$404,637 during the year. Revenues for governmental activities increased by \$1,011,634 over the prior year. This increase was attributable to approximate increases in charges for services of \$65,000; grants and contributions of \$427,000; property taxes of \$52,000; tax increment financing of \$245,000; miscellaneous revenues of \$74,000; and increases of approximately \$107,000 and \$50,000 in local option sales taxes and road use tax, respectively. However, these increases were offset by a slight decreases in interest and franchise tax income in comparison to the prior year.

The cost of all governmental activities this year remained fairly consistent to last year. Costs for 2012 were \$5,685,727 compared to \$5,654,971 last year, a slight increase of .54% or \$30,756 over the prior year.

Net assets of business type activities decreased by \$161,132 or .36% from the prior year. Charges for services totaled approximately \$6.5 million, decreasing \$14,553 over the prior year charges. A corresponding decrease of \$18,323 in the operating expenses was also seen in comparison to the prior year. Despite increases in operating revenues in the Water and Sewer Funds over the prior year, the Electric, Community Center, and Fitness Center experienced lower revenues. Expenses within these funds primarily correlated in a direct relationship with the change in revenues over or under the prior year amounts.

INDIVIDUAL MAJOR FUND ANALYSIS

Governmental fund Highlights

As the City of Eldridge completed the year, its governmental funds reported a combined fund balance of \$3,048,353, which is greater than the \$2,373,815 total fund balance at June 30, 2011. The following are the major reasons for the changes in fund balances of the major governmental funds from the prior year.

The General Fund showed an increase in fund balance of \$42,588 from the prior year to \$1,318,624. Revenues increased by \$105,133 or 4.49% to \$2,449,093, while expenditures increased by \$121,673 or 5.31% to \$2,413,305 over the prior year. Other financing sources remained the same in comparison to the prior year.

The Special Revenue, Road Use Tax Fund that accounts for road construction and maintenance, had an increase in fund balance of \$644,628 at June 30, 2012, primarily attributable to a \$215,716 transfer in from the LeClaire Road TIF Area Fund (nonmajor special revenue fund). The Road Use Tax Fund ended fiscal year 2012 with a \$428,838 fund balance compared to the prior year's ending fund deficit of \$215,790. The prior year deficit fund balance resulted from increased capital projects in comparison to road use tax revenues earned in the current period.

The Special Revenue, Sales Tax Projects Fund accounts for the tax revenues and the capital improvements, purchases of equipment and community programs and services for which they are used. This fund had a decrease of \$204,328 in fund balance at June 30, 2012, in comparison to the prior year's increase of \$73,511. Increases in capital projects accounted for this change. Transfers out to operating funds decreased by \$13,500 to \$240,000 in the current year.

CITY OF ELDRIDGE, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

INDIVIDUAL MAJOR FUND ANALYSIS (CONTINUED)

Proprietary Fund Highlights

The Enterprise, Electric Fund, which accounts for the operation and maintenance of the City's electric system, had net assets of \$19,097,607 at June 30, 2012 compared to net assets of \$18,854,942 at June 30, 2011.

The Enterprise, Water Fund, which accounts for the operation and maintenance of the City's water system, had net assets of \$7,862,704 at June 30, 2012 compared to net assets of \$7,721,980 at June 30, 2011.

The Enterprise, Sewer Fund, which accounts for the operation and maintenance of the City's sewer system, had net assets of \$16,404,553 at June 30, 2012 compared to net assets of \$16,899,608 at June 30, 2011.

The Enterprise, Community Center Fund, which accounts for the operation of the City's Community Center, had net assets of \$843,351 at June 30, 2012 compared to net assets of \$883,906 at June 30, 2011.

The Enterprise, Fitness Center fund, which accounts for the operation of the City's Fitness Center, had net assets of \$674,274 at June 30, 2012 compared to net assets of \$683,185 at June 30, 2011.

BUDGETARY HIGHLIGHTS

On May 7, 2012, the City amended its budget to cover unplanned disbursements in public safety, public works, capital projects, and operating transfers out. The City's receipts were \$423,814 less than amended budgeted receipts, an unfavorable variance of 3.49%. The most significant variances resulted from charges for services and miscellaneous budgeted revenues. The budget included investment income, miscellaneous income, and charges for services for the proprietary funds also.

The City's disbursements were \$2,091,824 less than amended budgeted disbursements, a favorable variance of 16.91%. The largest variance was in public works, culture & recreation, general government, and business type activities. Even with this amendment, the City exceeded the budgeted amount in the debt service function for the year ended June 30, 2012.

CAPITAL ASSET AND DEBT ADMINISTRATION

The city's capital assets include land, infrastructure, buildings, equipment and vehicles as well as construction in progress. Capital assets and construction in progress of governmental activities totaled \$8,798,095 net of accumulated depreciation, at June 30, 2012. Capital assets of business type activities totaled \$41,404,334, net of accumulated depreciation, at June 30, 2012, See note 3 to the financial statements for more information about the City's capital assets.

CITY OF ELDRIDGE, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

At June 30, 2011, the City had \$4,573,845 in total long-term debt outstanding for governmental activities. The City also had \$3,192,411 in total long-term debt outstanding for business type activities. Additional information about the City's long-term debt is presented in Note 4 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Eldridge, Iowa remains in a good position to continue operations into the next fiscal year. Taxable values have increased along with the estimated levy rates. These increases will provide sufficient property tax dollars for future operations. The projected tax levy rates per \$1,000 of taxable value for the 2012-2013 fiscal year are:

<u>Tax Levy Purpose</u>	<u>Estimated Levy Rate</u>
Regular General Levy	\$ 6.52
Tort Liability Levy	.11
Debt Service Levy	.12
Total Tax Levy	<u>\$ 6.75</u>
 Agricultural Land Levy	 <u>\$ 2.68</u>

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and operating activities. If you have any questions or require additional information, please contact either the City Clerk or the City Administrator at City Hall, 305 N. Third Street, Eldridge, Iowa, 52748 or by telephone at 563-285-4841.

John R. Dowd
City Administrator

BASIC FINANCIAL STATEMENTS

CITY OF ELDRIDGE, IOWA
STATEMENT OF NET ASSETS
June 30, 2012

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and investments	\$ 2,906,253	\$ 5,024,805	\$ 7,931,058
Receivables:			
Property tax			
Current year	13,309	-	13,309
Succeeding year	1,862,327	-	1,862,327
Other tax	151,611	-	151,611
Customer accounts and unbilled usage	-	496,962	496,962
Other	26,382	-	26,382
Inventories	32,598	477,520	510,118
Prepaid insurance	48,335	51,290	99,625
Restricted cash and investments	-	809,968	809,968
Construction in progress	-	-	-
Capital assets, net of accumulated depreciation	8,798,095	41,404,334	50,202,429
Total assets	13,838,910	48,264,879	62,103,789
LIABILITIES			
Accounts payable	30,470	104,881	135,351
Accrued interest payable	19,123	10,363	29,486
Salaries and benefits payable	26,590	17,495	44,085
Accrued expenses	1,236	57,240	58,476
Deferred revenue:			
Succeeding year property tax	1,862,327	-	1,862,327
Long-term liabilities:			
Portion due or payable within one year:			
Customer deposits	-	59,030	59,030
Capital lease	25,065	-	25,065
General obligation bonds and notes	335,000	-	335,000
Revenue bonds	-	320,000	320,000
Note payable	-	3,204	3,204
Compensated absences	52,716	54,073	106,789
Portion due or payable after one year:			
Capital lease	81,976	-	81,976
General obligation bonds and notes	4,015,000	-	4,015,000
Revenue bonds	-	2,695,000	2,695,000
Note payable	-	1,662	1,662
Compensated absences	64,088	59,442	123,530
Total liabilities	6,513,591	3,382,390	9,895,981
NET ASSETS			
Invested in capital assets, net of related debt	4,448,095	38,384,468	42,832,563
Restricted for:			
Capital projects	592,527	-	592,527
Community programs and services	45,158	-	45,158
Debt service	30,575	-	30,575
Revenue bonds retirement	-	420,575	420,575
Urban renewal	336,362	-	336,362
Unrestricted	1,872,602	6,077,446	7,950,048
Total net assets	\$ 7,325,319	\$ 44,882,489	\$ 52,207,808

These financial statements should be read only in connection with
the accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

FUNCTIONS/PROGRAMS	Program Revenues		
	Expenses	Charges for Services	Capital Grants and Contributions
Governmental activities:			
Public safety	\$ 924,171	\$ 122,913	\$ -
Public works	3,636,403	248,812	23,355
Culture and recreation	339,026	93,768	537,229
Community and economic development	241,889	1,326	-
General government	382,340	148,075	21,254
Interest on long-term debt	161,898	-	-
Total governmental activities	5,685,727	614,894	581,838
Business type activities:			
Electric	4,044,991	4,471,575	-
Water	727,323	861,566	-
Sewer	1,197,005	742,122	-
Community center	262,553	219,010	-
Fitness center	255,155	229,239	-
Interest on long-term debt	134,856	-	-
Total business type activities	6,621,883	6,523,512	-
TOTAL	\$ 12,307,610	\$ 7,138,406	\$ 581,838

General revenues:
Property tax levied for:
 General purpose
 Debt service
Tax increment financing
Franchise tax
Road use tax
Local option sales tax
Assessments
Interest on investments
Transfers
Miscellaneous
Gain on disposition of assets
Total general revenues

CHANGES IN NET ASSETS

NET ASSETS, BEGINNING OF YEAR

NET ASSETS, END OF YEAR

**Net (Expense) Revenue
and Changes in Net Assets**

Governmental Activities	Business Type Activities	Total
\$ (801,258)	-	\$ (801,258)
(3,364,236)	-	(3,364,236)
291,971	-	291,971
(240,563)	-	(240,563)
(213,011)	-	(213,011)
(161,898)	-	(161,898)
<u>(4,488,995)</u>	<u>-</u>	<u>(4,488,995)</u>
-	426,584	426,584
-	134,243	134,243
-	(454,883)	(454,883)
-	(43,543)	(43,543)
-	(25,916)	(25,916)
-	(134,856)	(134,856)
<u>-</u>	<u>(98,371)</u>	<u>(98,371)</u>
<u>\$ (4,488,995)</u>	<u>\$ (98,371)</u>	<u>\$ (4,587,366)</u>
1,734,766	-	1,734,766
37,427	-	37,427
789,653	-	789,653
47,354	-	47,354
536,004	-	536,004
784,812	-	784,812
5,201	-	5,201
2,410	9,574	11,984
27,100	(27,100)	-
124,131	29,515	153,646
(4,500)	(74,750)	(79,250)
<u>4,084,358</u>	<u>(62,761)</u>	<u>4,021,597</u>
(404,637)	(161,132)	(565,769)
<u>7,729,956</u>	<u>45,043,621</u>	<u>52,773,577</u>
<u>\$ 7,325,319</u>	<u>\$ 44,882,489</u>	<u>\$ 52,207,808</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2012

		Special Revenue			
	General Fund	Road Use Tax Fund	Sales Tax Projects Fund	Other Nonmajor Governmental Funds	Total All Funds
ASSETS					
Cash and investments	\$ 1,285,142	\$ 489,453	\$ 415,356	\$ 716,302	\$ 2,906,253
Receivables:					
Property tax				-	
Current year	12,145	-	-	1,164	13,309
Succeeding year	1,825,475	-	-	36,852	1,862,327
Other tax	-	-	151,611	-	151,611
Other	26,382	-	-	-	26,382
Inventories	32,598	-	-	-	32,598
Prepaid insurance	48,335	-	-	-	48,335
Due from other funds	-	-	60,615	29,038	89,653
TOTAL ASSETS	\$ 3,230,077	\$ 489,453	\$ 627,582	\$ 783,356	\$ 5,130,468
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 30,470	\$ -	\$ 30,470
Accrued interest payable	-	-	-	19,123	19,123
Salaries and benefits payable	26,590	-	-	-	26,590
Accrued expenses	1,236	-	-	-	1,236
Due to other funds	5,436	60,615	4,585	19,017	89,653
Deferred revenue:					
Succeeding year property tax	1,825,475	-	-	36,852	1,862,327
Compensated absences	52,716	-	-	-	52,716
Total liabilities	<u>1,911,453</u>	<u>60,615</u>	<u>35,055</u>	<u>74,992</u>	<u>2,082,115</u>
FUND BALANCES					
Nonspendable:					
Inventories and prepaid insurance	80,933	-	-	-	80,933
Restricted for:					
Capital projects	-	-	592,527	-	592,527
Community programs and services	-	-	-	45,158	45,158
Debt service	-	-	-	30,575	30,575
Urban renewal	-	-	-	336,362	336,362
Committed for:					
Capital projects	-	-	-	296,269	296,269
General equipment replacement	275,484	-	-	-	275,484
Unassigned	962,207	428,838	-	-	1,391,045
Total fund balances	<u>1,318,624</u>	<u>428,838</u>	<u>592,527</u>	<u>708,364</u>	<u>3,048,353</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,230,077	\$ 489,453	\$ 627,582	\$ 783,356	\$ 5,130,468

These financial statements should be read only in connection with
the accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2012

Total governmental fund balance (page 15)	\$ 3,048,353
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of the assets is \$29,221,840 and the accumulated depreciation is \$20,423,745.

8,798,095

Long-term liabilities, including bonds payable, capital leases, and compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

(4,521,129)

Net assets of governmental activities (page 12)

\$ 7,325,319

These financial statements should be read only in connection with
the accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	<u>Special Revenue</u>			<u>Other</u>	
	<u>General</u>	<u>Road Use Tax</u>	<u>Sales Tax</u>	<u>Nonmajor</u>	<u>Total All</u>
	<u>Fund</u>	<u>Fund</u>	<u>Projects</u>	<u>Governmental</u>	<u>Funds</u>
			<u>Fund</u>	<u>Funds</u>	
REVENUES					
Property tax	\$ 1,734,766	\$ -	\$ -	\$ 37,427	\$ 1,772,193
Tax increment financing	-	-	-	789,653	789,653
Other taxes	47,354	-	744,971	45,042	837,367
Licenses and permits	99,127	-	-	-	99,127
Rent	45,185	-	-	-	45,185
Intergovernmental	2,269	545,574	548,744	-	1,096,587
Charges for services	515,767	-	-	-	515,767
Interest on investments	2,410	-	-	-	2,410
Miscellaneous	2,215	-	73,925	24,059	100,199
Total revenues	<u>2,449,093</u>	<u>545,574</u>	<u>1,367,640</u>	<u>896,181</u>	<u>5,258,488</u>
EXPENDITURES					
Operating:					
Public safety	904,303	-	-	-	904,303
Public works	728,251	62,474	-	-	790,725
Culture and recreation	335,282	-	-	3,000	338,282
Community and economic development	61,018	-	-	180,871	241,889
General government	312,192	-	16,870	-	329,062
Debt service	-	-	-	426,651	426,651
Capital projects	72,259	54,188	1,315,098	138,593	1,580,138
Total expenditures	<u>2,413,305</u>	<u>116,662</u>	<u>1,331,968</u>	<u>749,115</u>	<u>4,611,050</u>
EXCESS (DEFICIENCY) OF REVENUES					
OVER (UNDER) EXPENDITURES	<u>35,788</u>	<u>428,912</u>	<u>35,672</u>	<u>147,066</u>	<u>647,438</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	6,800	215,716	-	650,060	872,576
Operating transfers out	-	-	(240,000)	(605,476)	(845,476)
Total other financing sources (uses)	<u>6,800</u>	<u>215,716.00</u>	<u>(240,000)</u>	<u>44,584</u>	<u>27,100</u>
NET CHANGE IN FUND BALANCE	42,588	644,628	(204,328)	191,650	674,538
FUND BALANCE, BEGINNING OF YEAR	<u>1,276,036</u>	<u>(215,790)</u>	<u>796,855</u>	<u>516,714</u>	<u>2,373,815</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,318,624</u>	<u>\$ 428,838</u>	<u>\$ 592,527</u>	<u>\$ 708,364</u>	<u>\$ 3,048,353</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Net change in fund balances - total governmental funds (page 17) \$ 674,538

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year as follows:

Depreciation expense	(2,142,979)	
Expenditures for capital assets	939,120	
		(1,203,859)

Gain on sales of assets are not reported net of the asset's adjusted basis, the adjusted basis of assets sold exceeded the proceeds by: (4,500)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Current year repayments, as follows:

Capital lease obligation	(136,794)	
Bond principal	235,000	
Lease payment	29,753	
Compensated absences	1,225	
		129,184

Changes in net assets of governmental activities (page 14) \$ (404,637)

These financial statements should be read only in connection with
the accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA
STATEMENTS OF NET ASSETS - PROPRIETY FUND
June 30, 2012

	<u>Electric Fund</u>	<u>Water Fund</u>
ASSETS		
Cash and investments	\$ 3,817,628	\$ 354,016
Receivables:		
Customer accounts and unbilled usage	327,109	101,800
Inventories	322,138	15,233
Prepaid insurance	21,090	7,030
Restricted assets:		
Cash and investments	625,071	184,897
Capital assets, net of accumulated depreciation	<u>16,725,082</u>	<u>7,736,834</u>
Total assets	<u>21,838,118</u>	<u>8,399,810</u>
LIABILITIES		
Accounts payable	14,960	-
Salaries and benefits payable	4,800	2,709
Accrued expenses	57,240	-
Payable from restricted assets:		
Customer deposits	40,813	18,217
Revenue bonds	225,000	95,000
Accrued interest payable	9,183	1,180
Capital leases	-	-
Compensated absences	54,073	-
Long-term liabilities:		
Revenue bonds	2,275,000	420,000
Capital leases	-	-
Compensated absences	<u>59,442</u>	<u>-</u>
Total liabilities	<u>2,740,511</u>	<u>537,106</u>
NETS ASSETS		
Invested in capital assets, net of related debt	14,225,082	7,221,834
Restricted for:		
Revenue bonds retirement	350,075	70,500
Unrestricted:		
Designated for:		
Equipment replacement	289,889	189,560
Capital projects	-	-
Undesignated	<u>4,232,561</u>	<u>380,810</u>
Total net assets	<u>\$ 19,097,607</u>	<u>\$ 7,862,704</u>

<u>Sewer Fund</u>	<u>Community Center Fund</u>	<u>Fitness Center Fund</u>	<u>Total All Funds</u>
\$ 763,200	\$ 34,405	\$ 55,556	\$ 5,024,805
68,053	-	-	496,962
134,103	4,083	1,963	477,520
13,616	5,463	4,091	51,290
-	-	-	809,968
<u>15,519,411</u>	<u>801,262</u>	<u>621,745</u>	<u>41,404,334</u>
<u>16,498,383</u>	<u>845,213</u>	<u>683,355</u>	<u>48,264,879</u>
89,921	-	-	104,881
3,909	1,862	4,215	17,495
-	-	-	57,240
-	-	-	59,030
-	-	-	320,000
-	-	-	10,363
-	-	3,204	3,204
-	-	-	54,073
-	-	-	2,695,000
-	-	1,662	1,662
-	-	-	59,442
<u>93,830</u>	<u>1,862</u>	<u>9,081</u>	<u>3,382,390</u>
15,519,411	801,262	616,879	38,384,468
-	-	-	420,575
105,297	-	-	584,746
-	-	-	-
<u>779,845</u>	<u>42,089</u>	<u>57,395</u>	<u>5,492,700</u>
<u>\$ 16,404,553</u>	<u>\$ 843,351</u>	<u>\$ 674,274</u>	<u>\$ 44,882,489</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - PROPRIETARY FUNDS
Year Ended June 30, 2012

	<u>Electric Fund</u>	<u>Water Fund</u>
OPERATING REVENUES		
Charges for services	\$ 4,471,575	\$ 861,566
Miscellaneous	192	24,495
	<u>4,471,767</u>	<u>886,061</u>
OPERATING EXPENSES		
Business type activities:		
Cost of sales and services	3,529,376	466,894
Depreciation	515,615	260,429
	<u>4,044,991</u>	<u>727,323</u>
NET INCOME (LOSS) FROM OPERATIONS	<u>426,776</u>	<u>158,738</u>
OTHER INCOME (EXPENSE)		
Gain on disposition of assets	(74,750)	-
Interest on investments	6,355	809
Interest expense	(118,816)	(15,723)
	<u>(187,211)</u>	<u>(14,914)</u>
OTHER FINANCING SOURCES (USES)		
Operating transfer in	3,100	-
Operating transfer out	-	(3,100)
	<u>3,100</u>	<u>(3,100)</u>
NET INCOME (LOSS)	242,665	140,724
NET ASSETS, BEGINNING OF YEAR	<u>18,854,942</u>	<u>7,721,980</u>
NET ASSETS, END OF YEAR	<u>\$ 19,097,607</u>	<u>\$ 7,862,704</u>

Sewer Fund	Community Center Fund	Fitness Center Fund	Total All Funds
\$ 742,122	\$ 219,010	\$ 229,239	\$ 6,523,512
-	2,506	2,322	29,515
<u>742,122</u>	<u>221,516</u>	<u>231,561</u>	<u>6,553,027</u>
482,217	232,618	234,959	4,946,064
<u>714,788</u>	<u>29,935</u>	<u>20,196</u>	<u>1,540,963</u>
<u>1,197,005</u>	<u>262,553</u>	<u>255,155</u>	<u>6,487,027</u>
<u>(454,883)</u>	<u>(41,037)</u>	<u>(23,594)</u>	<u>66,000</u>
	-	-	(74,750)
1,928	482	-	9,574
<u>-</u>	<u>-</u>	<u>(317)</u>	<u>(134,856)</u>
<u>1,928</u>	<u>482</u>	<u>(317)</u>	<u>(200,032)</u>
-	-	15,000	18,100
<u>(42,100)</u>	<u>-</u>	<u>-</u>	<u>(45,200)</u>
<u>(42,100)</u>	<u>-</u>	<u>15,000</u>	<u>(27,100)</u>
(495,055)	(40,555)	(8,911)	(161,132)
<u>16,899,608</u>	<u>883,906</u>	<u>683,185</u>	<u>45,043,621</u>
<u>\$ 16,404,553</u>	<u>\$ 843,351</u>	<u>\$ 674,274</u>	<u>\$ 44,882,489</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended June 30, 2012

	<u>Electric Fund</u>	<u>Water Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	\$ 4,472,974	\$ 844,635
Cash received from other revenues	192	24,495
Cash paid for personal services	(307,899)	(159,716)
Cash paid to suppliers	(3,234,000)	(310,500)
Net cash provided (used) by operating activities	<u>931,267</u>	<u>398,914</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Advances from other funds, net of advance repayments	<u>3,100</u>	<u>(3,100)</u>
CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES		
Acquisition of capital assets	(193,782)	(24,082)
Proceeds from sale of capital assets	35,250	-
Principal paid on revenue bonds and capital leases	(215,000)	(95,000)
Interest paid on revenue bonds and capital leases	(119,599)	(15,865)
Net cash provided (used) by capital and related financing activities	<u>(493,131)</u>	<u>(134,947)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	<u>6,355</u>	<u>809</u>
NET INCREASE (DECREASE) IN CASH	447,591	261,676
CASH AND INVESTMENTS, BEGINNING OF YEAR	<u>3,995,108</u>	<u>277,237</u>
CASH AND INVESTMENTS, END OF YEAR	<u><u>\$ 4,442,699</u></u>	<u><u>\$ 538,913</u></u>

Sewer Fund	Community Center Fund	Fitness Center Fund	Total All Funds
\$ 740,762	\$ 219,010	\$ 229,239	\$ 6,506,620
-	2,506	2,322	29,515
(251,882)	(132,980)	(147,602)	(1,000,079)
(149,235)	(98,327)	(86,960)	(3,879,022)
<u>339,645</u>	<u>(9,791)</u>	<u>(3,001)</u>	<u>1,657,034</u>
 (42,100)	 -	 15,000	 (27,100)
 (89,355)	 -	 -	 (307,219)
-	-	-	35,250
-	-	(3,053)	(313,053)
-	-	(317)	(135,781)
<u>(89,355)</u>	<u>-</u>	<u>(3,370)</u>	<u>(720,803)</u>
 1,928	 482	 -	 9,574
210,118	(9,309)	8,629	918,705
<u>553,082</u>	<u>43,714</u>	<u>46,927</u>	<u>4,916,068</u>
<u>\$ 763,200</u>	<u>\$ 34,405</u>	<u>\$ 55,556</u>	<u>\$ 5,834,773</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)
Year Ended June 30, 2012

	<u>Electric Fund</u>	<u>Water Fund</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 426,776	\$ 158,738
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	515,615	260,429
(Increase) decrease in customer accounts and unbilled usage receivable	1,399	(16,930)
(Increase) decrease in inventories	18,993	(517)
(Increase) decrease in prepaid insurance	(2,352)	(784)
(Increase) decrease in other assets	783	141
Increase (decrease) in accounts payable	(28,112)	(3,807)
Increase (decrease) in accrued wages	725	401
Increase (decrease) in accrued expenses	(3,294)	(142)
Increase (decrease) in customer deposits	2,303	1,385
Increase (decrease) in compensated absences	(1,569)	-
Net cash provided (used) by operating activities	<u>\$ 931,267</u>	<u>\$ 398,914</u>
Reconciliation of cash and investments at year end to specific assets included in the statement of net assets:		
Current assets:		
Cash and investments	3,817,628	354,016
Restricted assets:		
Cash and investments:		
Revenue bonds retirement	584,258	166,680
Customer deposits	40,813	18,217
Cash and investments, end of year	<u>\$ 4,442,699</u>	<u>\$ 538,913</u>

Sewer Fund	Community Center Fund	Fitness Center Fund	Total All Funds
\$ (454,883)	\$ (41,037)	\$ (23,594)	\$ 66,000
714,788	29,935	20,196	1,540,963
2,292	-	-	(13,239)
(10,863)	1,612	1,272	10,497
(1,682)	(539)	(404)	(5,761)
-	-	-	924
89,348	-	-	57,429
645	238	(471)	1,538
-	-	-	(3,436)
-	-	-	3,688
-	-	-	(1,569)
<u>\$ 339,645</u>	<u>\$ (9,791)</u>	<u>\$ (3,001)</u>	<u>\$ 1,657,034</u>
763,200	34,405	55,556	5,024,805
-	-	-	750,938
-	-	-	59,030
<u>\$ 763,200</u>	<u>\$ 34,405</u>	<u>\$ 55,556</u>	<u>\$ 5,834,773</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The City of Eldridge, Iowa (the City) is a political subdivision of the State of Iowa located in Scott County and operates under the Home rule provisions of the constitution of Iowa. The City also operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, recreation, community and economic development, and general governmental services. The City also provides electric, water, sewer and sanitation utilities.

The financial statements of the City of Eldridge, Iowa have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

For financial reporting purposes, the City of Eldridge, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization, or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. Under these criteria, it has been determined that the City has no component units for which it is financially accountable.

Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues included 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The City reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the General Fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid through other funds.

Special Revenue Funds - The Road Use Tax Fund is used to account for road construction and maintenance. The Sales Tax Projects Fund is used to account for the revenues from the tax authorized by referendum and used for capital improvements, equipment and community programs and services.

The City reports the following major proprietary funds:

Electric Fund - The Electric fund is used to account for the operation and maintenance of the City's electric system.

Water Fund - The Water Fund is used to account for the operation and maintenance of the City's water system.

Sewer Fund - The Sewer Fund is used to account for the operation and maintenance of the City's sewer system.

Community Center Fund - The Community Center Fund is used to account for the operation of the City's community center.

Fitness Center Fund - The Fitness Center Fund is used to account for the operation of the City's fitness center.

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal on long-term debt and claims and judgments are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned, and then unassigned fund balances.

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

Cash and Investments

For purposes of financial reporting and the statement of cash flows, the City considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Investments with an original maturity of greater than three months that can be redeemed anytime before maturity are also considered to be cash equivalents. Investments consist of certificates of deposit and are carried at cost, which approximates market.

Property Tax Receivable, Including Tax Increment Financing

Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represents taxes collected by the County but not remitted to the City at June 30, 2012 and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the City to be collected in the next fiscal year for the purpose set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1.5% per month penalty for delinquent payments, are based on January 1, 2010 assessed property valuations, are for the tax accrual period July 1, 2011 through June 30, 2012 and reflect tax asking contained in the budget certified to the County Board of Supervisors in March 2011.

Customer Accounts and Unbilled Usage

Customer accounts receivable are recorded in proprietary funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Due From and Due To Other Funds

During the course of its operations, the City has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2012, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market (net realizable value). Inventories in the proprietary funds consist of materials and supplies. Inventories are recorded as expenses when consumed rather than when purchased.

Restricted Assets

Restricted assets of cash and investments set aside in proprietary funds for payment of revenue bonds are classified as restricted assets since their use is restricted by applicable bond covenants. Other restricted assets in proprietary funds include customer deposits restricted for application to unpaid customer accounts or for refund to customers.

Capital Assets

Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs not adding to the value of the asset or materially extending assets lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land, building and improvements	\$ 25,000
Equipment and vehicles	5,000
Infrastructure	50,000

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40-50 years
Improvements other than buildings	10-25 years
Vehicles	6-10 years
Equipment	4-15 years
Infrastructure	12-50 years

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue

Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of delinquent property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, sick leave, personal leave and compensatory time benefits. Vacation benefits must be used during employment. Sick leave benefits may be used during employment or accumulated up to the maximum hours limit established by the City for payment upon retirement or disability. Personal leave benefits may be used during employment or accumulated up to the maximum hours limit established by the City for payment upon leaving the City's employment unless terminated for cause. Compensatory time benefits may be used during employment or accumulated up to the maximum hour limit established by the City for payment upon leaving the City's employment.

A liability is recorded when incurred in the government-wide and proprietary fund financial statements. The governmental funds financial statements report a liability for accrued vacation, accrued personal leave and accrued compensatory time only. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the general fund.

Long-term Liabilities

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Assets and the proprietary fund Statement of Net Assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned - Amounts constrained by the City's intent to use them for a specific purpose. The authority to assign fund balance has been delegated to the City Administrator.

Unassigned - All amounts not included in other spendable classifications. The General Fund is the only fund that would report a positive amount in unassigned fund balance.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the debt service function.

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 - CASH AND INVESTMENTS

Deposit Accounts

The City's cash and investments at June 30, 2012 consist of the following:

Petty cash fund on hand	\$ 830
Checking accounts	2,791,679
Money market accounts	3,748,517
Certificates of deposit	<u>2,200,000</u>
Total	<u>\$ 8,741,026</u>

At June 30, 2012, the carrying amount of the City's deposits was \$8,741,026 and the related bank balance was \$8,861,124.

The City's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Investments

The City is authorized by state statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012 was as follows:

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Governmental activities				
<i>Capital assets not being depreciated:</i>				
Construction in progress	\$ 90,152	\$ -	\$ 90,152	\$ -
Land	<u>1,255,500</u>	<u>-</u>	<u>-</u>	<u>1,255,500</u>
Total	<u>1,345,652</u>	<u>-</u>	<u>90,152</u>	<u>1,255,500</u>
<i>Capital assets being depreciated:</i>				
Buildings	1,542,304	65,530	-	1,607,834
Equipment and vehicles	1,171,189	202,054	10,000	1,363,243
Infrastructure, road network	<u>24,233,575</u>	<u>761,688</u>	<u>-</u>	<u>24,995,263</u>
Total	<u>26,947,068</u>	<u>1,029,272</u>	<u>10,000</u>	<u>27,966,340</u>
Less accumulated depreciation	<u>18,286,266</u>	<u>2,142,979</u>	<u>5,500</u>	<u>20,423,745</u>
Net	<u>8,660,802</u>	<u>(1,113,707)</u>	<u>(4,500)</u>	<u>7,542,595</u>
Governmental activities capital assets, net	<u>\$10,006,454</u>	<u>\$ (1,113,707)</u>	<u>\$ (94,652)</u>	<u>\$ 8,798,095</u>
Business type activities				
<i>Capital assets not being depreciated:</i>				
Land	<u>\$ 120,000</u>	<u>-</u>	<u>-</u>	<u>\$ 120,000</u>
<i>Capital assets being depreciated:</i>				
Buildings	34,544,874	-	-	35,544,874
Equipment and vehicles	1,261,918	307,219	110,000	1,459,137
Infrastructure	<u>17,493,305</u>	<u>-</u>	<u>-</u>	<u>17,493,305</u>
Total	<u>54,300,097</u>	<u>307,219</u>	<u>110,000</u>	<u>54,497,316</u>
Less accumulated depreciation	<u>11,672,019</u>	<u>1,540,963</u>	<u>-</u>	<u>13,212,982</u>
Net	<u>42,628,078</u>	<u>(1,233,744)</u>	<u>(110,000)</u>	<u>41,284,334</u>
Business type activities capital assets, net	<u>\$ 42,748,078</u>	<u>\$ (1,233,744)</u>	<u>\$ (110,000)</u>	<u>\$41,404,334</u>

CITY OF ELDRIDGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 3 - CAPITAL ASSETS (CONTINUED)

Depreciation expense for the year ended June 30, 2012 was charged to functions of the City as follows:

Governmental activities:	
Public safety	\$ 19,868
Public works	2,048,731
General government	8,109
Culture and recreation	<u>66,274</u>
Total governmental activities	<u>\$ 2,142,982</u>
Business type activities:	
Electric	\$ 515,615
Water	260,429
Sewer	714,788
Community center	29,935
Fitness center	<u>20,196</u>
Total business type activities	<u>\$ 1,540,963</u>

NOTE 4 - LONG-TERM LIABILITIES

A summary of transactions that occurred regarding bond and note obligations for the year ended June 30, 2012 as follows:

	<u>Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds/notes	<u>\$4,585,000</u>	<u>\$ -</u>	<u>\$ 235,000</u>	<u>\$4,350,000</u>	<u>\$ 335,000</u>
Business type activities:					
Revenue bonds	<u>\$3,325,000</u>	<u>\$ -</u>	<u>\$ 310,000</u>	<u>\$3,015,000</u>	<u>\$ 320,000</u>
Term note	<u>7,918</u>	<u>-</u>	<u>3,052</u>	<u>4,866</u>	<u>3,204</u>
	<u>\$3,332,918</u>	<u>\$ -</u>	<u>\$ 313,052</u>	<u>\$3,019,866</u>	<u>\$ 323,204</u>

General Obligation Bonds

Two issues of unmatured general obligation bonds, totaling \$4,350,000 were outstanding at June 30, 2012. These bonds bear interest at rates ranging from 4.00% to 4.40% and mature in varying annual amounts from \$95,000 to \$520,000 with the final maturities due in the year ending June 30, 2027.

CITY OF ELDRIDGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)

Details of the general obligation bonds payable at June 30, 2012 are as follows:

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2012</u>
GO Refunding Bonds, Series 2001	Nov. 15, 2001	4.00- 4.40%	June 1, 2013	\$ 95,000- 100,000	\$1,010,000	\$ 95,000
GP Bonds, Series 2007	Nov. 15, 2007	4.00- 4.25%	June 1, 2027	105,000- 520,000	4,685,000	<u>4,255,000</u>
Total						<u>\$4,350,000</u>

A summary of the annual general obligation bond principal and interest requirements to maturity by year is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 335,000	\$ 177,436	\$ 512,436
2014	380,000	163,656	543,656
2015	495,000	148,456	643,456
2016	520,000	128,656	648,656
2017	175,000	107,856	282,856
2018-2022	1,085,000	422,680	1,507,680
2023-2027	<u>1,360,000</u>	<u>176,041</u>	<u>1,536,041</u>
Totals	<u>\$ 4,350,000</u>	<u>\$1,324,781</u>	<u>\$5,674,781</u>

Capital Lease Payable

A summary of capital lease obligation at June 30, 2012 is as follows:

Capital lease payable to General Electric Credit Corp., due in annual installments of \$29,753, including interest at 4.38%, through July 2016, secured by truck

\$ 107,041

Less current portion

25,065

Lease payable, net of current portion

\$ 81,976

CITY OF ELDRIDGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)

Annual maturities of capital lease obligations for each of the years subsequent to June 30, 2012 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 25,065	\$ 4,688	\$ 29,753
2014	26,163	3,630	29,793
2015	27,309	2,484	29,793
2016	28,504	1,289	29,793
Totals	<u>\$ 107,041</u>	<u>\$ 12,091</u>	<u>\$ 119,133</u>

Revenue Bonds

Two issues of unmatured revenue bonds, totaling \$3,015,000 were outstanding at June 30, 2012. These bonds bear interest at rates ranging from 1.50% to 4.50% and mature in varying annual amounts from \$95,000 to \$335,000, with the final maturities due in the year ending June 30, 2021.

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- a) The bonds will only be redeemed from the future earnings of the water, sewer, and electric enterprise activity and the bond holders have a lien on the future earnings of the funds.
- b) Sufficient water, sewer, and electric rates will be imposed to maintain a net revenue balance equal to at least 125% of the annual payments of principal and interest coming due in the same year.
- c) Monthly transfers shall be made to water, sewer, and electric improvement funds until specific minimum balances have been accumulated. These balances are restricted solely for the purpose of paying principal and interest on the bonds.
- d) An electric debt reserve fund will be maintained in an amount equal to the lesser of the maximum annual amount of principal and interest coming due on the bonds in any succeeding fiscal year, 10% of the original principal amount of the bonds or 125% of the average annual principal and interest coming due on the bonds.
- e) A water debt reserve fund will be maintained in an amount equal to the lesser of 10% of the stated principal amount of the bonds, the maximum annual amount of principal and interest coming due on the bonds in any succeeding fiscal year, or 125% of the average annual principal and interest coming due on the bonds.

During the year ended June 30, 2012, the City was in compliance with the revenue bond provisions.

CITY OF ELDRIDGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)

Revenue Bonds (Continued)

Details of the revenue bonds payable at June 30, 2012 are as follows:

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2012</u>
Water Revenue Bonds, Series 2010	May 27, 2010	1.50- 3.40%	June 1, 2017	\$ 95,000- 115,000	\$ 705,000	\$ 515,000
Electric Revenue Bonds, Series 2006	Aug. 29, 2006	4.375- 4.50%	June 1, 2021	\$ 205,000- 335,000	\$3,665,000	<u>\$2,500,000</u>
Total						<u>\$3,015,000</u>

A summary of the annual obligation bond principal and interest requirements to maturity by year is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 320,000	\$ 110,194	\$ 430,194
2014	340,000	100,350	440,350
2015	350,000	89,850	439,850
2016	365,000	78,913	443,913
2017	390,000	67,538	457,538
2018-2021	<u>1,250,000</u>	<u>142,875</u>	<u>1,392,875</u>
Totals	<u>\$3,015,000</u>	<u>\$ 589,720</u>	<u>\$3,604,720</u>

CITY OF ELDRIDGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)

Term Note

A summary of the term note agreement at June 30, 2012 is as follows:

US Bank, single advance term loan dated December 3, 2010, payable in monthly installments of \$281 each, including interest at 4.75% through December 3, 2013, secured by fitness center equipment.	\$ 4,866
Less current portion	<u>3,204</u>
Note payable, net of current portion	<u><u>\$ 1,662</u></u>

Annual maturities of note payable obligations for each of the years subsequent to June 30, 2012 are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 3,204	\$ 164	\$ 3,368
2014	<u>1,662</u>	<u>23</u>	<u>1,685</u>
Totals	<u><u>\$ 4,866</u></u>	<u><u>\$ 187</u></u>	<u><u>\$ 5,053</u></u>

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 5 - INTERFUND LOANS/ADVANCES/TRANSFERS

The city's cash management procedures occasionally result in short-term advances between funds that are repaid upon City Board approval from future revenues.

At June 30, 2012, interfund advances were as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
Blackhawk Trail TIF Area Fund	LeClaire Road TIF Fund	\$ 19,017
General Fund	Blackhawk Trail TIF Area Fund	5,436
Sales Tax Project	Hotel Tax	4,585
Electric Projects Fund	Electric Fund	240,516
		<u>\$ 269,554</u>

Such interfund advances are not reported as operating transfers.

Interfund transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

A summary of interfund transfers that occurred during the year ended June 30, 2012 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Proprietary Fund: Sewer Fund	\$ 6,800
Major Special Revenue Road Use Tax	NonMajor Special Revenue: LeClaire Rd TIF Area	215,716
Nonmajor Governmental Funds	Nonmajor Governmental Fund: Capital Improvement Fund	60,000
	LeClaire Rd TIF Area	199,760
	Blackhawk Trail TIF Area Fund	190,000
	Major Special Revenue: Sales Tax Projects Fund	165,000
	Proprietary Fund: Sewer Fund	35,300
		<u>650,060</u>
Proprietary Fund	Proprietary Fund: Water Fund	3,100
	Major Special Revenue: Sales Tax Projects Fund	15,000
Electric Fund	Electric Depreciation Fund	<u>18,100</u>
Total		<u>\$ 890,676</u>

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 6 - PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of annual covered payroll except for police employees, in which case the percentages are 6.65% and 9.97%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$134,536, \$116,852, and \$105,751, respectively, equal to the required contribution for each year.

The City has no other postemployment benefits available to employees in addition to the retirement benefits paid under the IPERS plan described above.

NOTE 7 - COMPENSATED ABSENCES

The City's liability for compensated absences at June 30, 2012 is as follows:

<u>Type of Benefit</u>	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Total</u>
Personal	\$ 15,482	\$ 14,543	\$ 30,025
Vacation	31,370	35,712	67,082
Compensatory Time	5,864	3,818	9,682
Sick Leave	64,088	59,442	123,530
Totals	<u>\$ 116,804</u>	<u>\$ 113,515</u>	<u>\$ 230,319</u>

The City maintains accrued leave reserves to offset the approximate liability for compensated absences. Employees may earn up to 160 hours per year of vacation, depending on years of service. Employees may carry a maximum of 80 hours to the subsequent anniversary year. Any unused vacation accumulated above these limits is forfeited. The City's sick leave policy allows its employees to accumulate up to 720 hours of sick leave which is payable when used or a maximum of 280 hours which is payable upon retirement or disability. No leave is paid when employment is terminated for any other reason. Employees earn 40 hours of personal leave per year and may accumulate up to 80 hours of personal leave. Employees may enter into an agreement with the City to earn compensatory time rather than being paid overtime for additional hours over 40 per week worked. Employees can accumulate up to 40 hours of compensatory time.

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 8 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 17, 2012, the date the financial statements were available for issuance.

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ELDRIDGE, IOWA
BUDGET COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (CASH BASIS) -
GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
Year Ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Original Budget	Final Budget	Budget to Actual Variance
RECEIPTS						
Property tax	\$ 1,771,830	\$ -	\$ 1,771,830	\$ 1,768,362	\$ 1,768,362	\$ 3,468
Tax increment financing	790,845	-	790,845	797,000	797,000	(6,155)
Other taxes	738,283	-	738,283	639,034	639,034	99,249
Licenses and permits	99,127	-	99,127	87,200	87,200	11,927
Use of money and property	145,384	9,574	154,958	37,000	37,000	117,958
Intergovernmental	1,096,587	-	1,096,587	1,253,507	1,253,507	(156,920)
Charges for services	515,767	6,506,620	7,022,387	7,290,972	7,290,972	(268,585)
Miscellaneous	2,410	29,515	31,925	256,681	256,681	(224,756)
Total receipts	<u>5,160,233</u>	<u>6,545,709</u>	<u>11,705,942</u>	<u>12,129,756</u>	<u>12,129,756</u>	<u>(423,814)</u>
DISBURSEMENTS						
Public safety	908,498	-	908,498	927,294	967,294	58,796
Public works	752,435	-	752,435	897,295	937,295	184,860
Culture and recreation	336,429	-	336,429	575,435	575,435	239,006
Community and economic development	241,004	-	241,004	297,230	297,230	56,226
General government	327,537	-	327,537	553,583	553,583	226,046
Debt service	424,463	-	424,463	423,121	423,121	(1,342)
Capital projects	1,658,165	-	1,658,165	1,354,629	1,744,629	86,464
Business type activities	-	5,627,004	5,627,004	6,868,772	6,868,772	1,241,768
Total disbursements	<u>4,648,531</u>	<u>5,627,004</u>	<u>10,275,535</u>	<u>11,897,359</u>	<u>12,367,359</u>	<u>2,091,824</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>511,702</u>	<u>918,705</u>	<u>1,430,407</u>	<u>232,397</u>	<u>(237,603)</u>	<u>1,668,010</u>
OTHER FINANCING SOURCES (USES) NET	<u>27,100</u>	<u>(27,100)</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>50,000</u>
NET CHANGE IN FUND BALANCES	<u>538,802</u>	<u>891,605</u>	<u>1,430,407</u>	<u>232,397</u>	<u>(287,603)</u>	<u>1,718,010</u>
FUND BALANCES, BEGINNING OF YEAR	<u>2,185,687</u>	<u>4,137,321</u>	<u>6,323,008</u>	<u>7,275,299</u>	<u>7,275,299</u>	<u>(952,291)</u>
FUND BALANCES, END OF YEAR	<u>\$ 2,724,489</u>	<u>\$ 5,028,926</u>	<u>\$ 7,753,415</u>	<u>\$ 7,507,696</u>	<u>\$ 6,987,696</u>	<u>\$ 765,719</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA
BUDGET TO GAAP RECONCILIATION
GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
Year ended June 30, 2012

	Governmental Funds			Proprietary Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Receipts/revenues	\$ 5,160,233	\$ 98,255	\$ 5,258,488	\$ 6,545,709	\$ (57,858)	\$ 6,487,851
Expenditures/expenses	4,648,531	(37,481)	4,611,050	5,627,004	994,879	6,621,883
Net	511,702	135,736	647,438	918,705	(1,052,737)	(134,032)
Other financing sources and transfer, net	27,100	-	27,100	(27,100)	-	(27,100)
Beginning fund balances/net assets	2,185,687	188,128	2,373,815	4,137,321	40,906,300	45,043,621
Ending fund balances/net assets	<u>\$ 2,724,489</u>	<u>\$ 323,864</u>	<u>\$ 3,048,353</u>	<u>\$ 5,028,926</u>	<u>\$ 39,853,563</u>	<u>\$ 44,882,489</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY REPORTING
Year Ending June 30, 2012

The budgetary comparison is presented as required supplementary information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the general fund and each major special revenue fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized in the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based on nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service funds, capital projects funds, and proprietary funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund or fund type. During the year, one budget amendment increased budgeted disbursements by \$500,000. This budget amendment is reflected in the final budgeted amounts.

SUPPLEMENTARY INFORMATION

CITY OF ELDRIDGE, IOWA
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

	<u>Special Revenue</u>		
	<u>Hotel Tax Fund</u>	<u>LeClaire Road Tax Increment Financing Fund</u>	<u>Blackhawk Trail Tax Increment Financing Fund</u>
ASSETS			
Cash and investments	\$ 40,573	\$ 198,110	\$ 131,652
Receivables:			
Property tax			
Current year	-	1,164	-
Succeeding year	-	-	-
Due from other funds	<u>4,585</u>	<u>19,017</u>	<u>5,436</u>
Total assets	<u>\$ 45,158</u>	<u>\$ 218,291</u>	<u>\$ 137,088</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accrued interest payable	\$ -	\$ -	\$ -
Due to other funds	-	-	19,017
Deferred revenue:			
Succeeding year property tax	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>19,017</u>
FUND BALANCES			
Restricted for:			
Community programs and services	45,158	-	-
Debt service	-	-	-
Urban renewal	-	218,291	118,071
Committed for:			
Capital improvements	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>45,158</u>	<u>218,291</u>	<u>118,071</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 45,158</u>	<u>\$ 218,291</u>	<u>\$ 137,088</u>

Schedule 1

Capital Projects			
Capital Improvement Fund	Street Projects Fund	Debt Service Fund	Total
\$ 70,354	\$ 225,915	\$ 49,698	\$ 716,302
-	-	-	1,164
-	-	36,852	36,852
-	-	-	29,038
<u>\$ 70,354</u>	<u>\$ 225,915</u>	<u>\$ 86,550</u>	<u>\$ 783,356</u>
\$ -	\$ -	\$ 19,123	\$ 19,123
-	-	-	19,017
-	-	36,852	36,852
-	-	55,975	74,992
-	-	-	45,158
-	-	30,575	30,575
-	-	-	336,362
<u>70,354</u>	<u>225,915</u>	<u>-</u>	<u>296,269</u>
<u>70,354</u>	<u>225,915</u>	<u>30,575</u>	<u>708,364</u>
<u>\$ 70,354</u>	<u>\$ 225,915</u>	<u>\$ 86,550</u>	<u>\$ 783,356</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	Special Revenue		
	Hotel Tax Fund	LeClaire Road Tax Increment Financing Fund	Blackhawk Trail Tax Increment Financing Fund
REVENUES			
Property tax	\$ -	\$ -	\$ -
Tax increment financing	-	506,325	283,328
Other taxes	39,841	-	-
Miscellaneous	-	-	-
Total revenues	<u>39,841</u>	<u>506,325</u>	<u>283,328</u>
EXPENDITURES			
Operating:			
Public safety	-	-	-
Culture and recreation	3,000	-	-
Community and economic development	-	139,464	41,407
Debt service	-	-	-
Capital projects	114	8,057	-
Total expenditures	<u>3,114</u>	<u>147,521</u>	<u>41,407</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>36,727</u>	<u>358,804</u>	<u>241,921</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	-
Operating transfers out	-	(415,476)	(190,000)
Total other financing sources (uses)	<u>-</u>	<u>(415,476.00)</u>	<u>(190,000)</u>
NET CHANGES IN FUND BALANCES	<u>36,727</u>	<u>(56,672)</u>	<u>51,921</u>
FUND BALANCES, BEGINNING OF YEAR	<u>8,431</u>	<u>274,963</u>	<u>66,150</u>
FUND BALANCES, END OF YEAR	<u>\$ 45,158</u>	<u>\$ 218,291</u>	<u>\$ 118,071</u>

Schedule 2

Capital Projects			
Capital Improvement Fund	Street Projects Fund	Debt Service Fund	Total
\$ -	\$ -	\$ 37,427	\$ 37,427
-	-	-	789,653
-	5,201	-	45,042
24,059	-	-	24,059
<u>24,059</u>	<u>5,201</u>	<u>37,427</u>	<u>896,181</u>
-	-	-	-
-	-	-	3,000
-	-	-	180,871
-	-	426,651	426,651
119,790	10,632	-	138,593
<u>119,790</u>	<u>10,632</u>	<u>426,651</u>	<u>749,115</u>
-	-	-	-
(95,731)	(5,431)	(389,224)	147,066
60,000	204,760	385,300	650,060
-	-	-	(605,476)
<u>60,000</u>	<u>204,760</u>	<u>385,300</u>	<u>44,584</u>
(35,731)	199,329	(3,924)	191,650
106,085	26,586	34,499	516,714
<u>\$ 70,354</u>	<u>\$ 225,915</u>	<u>\$ 30,575</u>	<u>\$ 708,364</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA
SCHEDULE OF REVENUES BY SOURCES AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS FOR THE LAST EIGHT YEARS

	Modified Accrual Basis		
	2012	2011	2010
REVENUES			
Property tax	\$ 1,772,193	\$ 1,720,593	\$ 1,616,973
Tax increment financing	789,653	544,048	456,173
Other taxes	837,367	729,757	699,409
Licenses and permits	99,127	114,398	106,688
Use of money and property	47,595	47,499	49,529
Intergovernmental	1,096,587	623,767	446,256
Charges for services	515,767	435,785	417,246
Miscellaneous	100,199	31,009	95,473
Total	<u>\$ 5,258,488</u>	<u>\$ 4,246,856</u>	<u>\$ 3,887,747</u>
EXPENDITURES			
Operating:			
Public safety	\$ 904,303	\$ 822,089	\$ 703,596
Public works	790,725	781,744	784,182
Culture and recreation	338,282	307,703	283,197
Community and economic development	241,889	248,406	200,039
General government	329,062	350,137	274,182
Debt service	426,651	549,917	665,977
Capital projects	1,580,138	1,368,181	1,541,288
Total	<u>\$ 4,611,050</u>	<u>\$ 4,428,177</u>	<u>\$ 4,452,461</u>

Note: The City of Eldridge, Iowa implemented Governmental Accounting Standards Board (GASB) Statement No. 34 in the year ended June 30, 2003.

Schedule 3

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 1,518,513	\$ 1,424,081	\$ 1,362,577	\$ 1,268,026	\$ 1,182,351
504,799	256,816	333,971	491,543	561,576
723,006	756,938	729,709	716,783	643,067
114,074	107,579	160,630	144,336	127,892
75,566	148,125	167,674	134,750	77,521
403,566	415,278	407,598	409,046	388,016
383,686	379,301	334,206	208,551	184,126
151,690	287,603	183,336	332,895	84,508
<u>\$ 3,874,900</u>	<u>\$ 3,775,721</u>	<u>\$ 3,679,701</u>	<u>\$ 3,705,930</u>	<u>\$ 3,249,057</u>
\$ 778,645	\$ 711,247	\$ 706,876	\$ 682,575	\$ 698,881
849,129	1,208,859	1,040,989	520,029	597,320
328,886	356,669	344,664	232,845	213,124
140,135	68,820	55,373	47,912	36,156
279,087	500,616	621,626	673,350	591,459
662,043	432,333	213,336	223,840	220,535
1,206,862	813,190	262,939	219,226	244,551
<u>\$ 4,244,787</u>	<u>\$ 4,091,734</u>	<u>\$ 3,245,803</u>	<u>\$ 2,599,777</u>	<u>\$ 2,602,026</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2012

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Transportation			
Iowa Department of Transportation			
Highway Planning and Construction	20.205	STP-E-2290(611)-8V-82	<u>\$ 625,107</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Eldridge and is presented on the accrual or modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A 133, *Audit of States, Local governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Honorable Mayor and
Members of the City Council
City of Eldridge, Iowa:

We have audited the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of City of Eldridge, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City of Eldridge, Iowa's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of the City of Eldridge, Iowa is responsible for establishing and maintaining effective internal controls over financial reporting. In planning and performing our audit, we considered the City of Eldridge, Iowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Eldridge, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Eldridge, Iowa's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the Part II of the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Eldridge, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of non-compliance or other matter which is described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City of Eldridge, Iowa's operations for the year ended June 30, 2012, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Eldridge, Iowa's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Eldridge, Iowa, and to other parties to whom the City of Eldridge, Iowa may report. The report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Eldridge, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Miner, Hilroy & Meade
Certified Public Accountants, PC

Clinton, Iowa
December 17, 2012

**Independent Auditor's Report on Compliance with
Requirements That Could Have a Direct and Material Effect on
Each Major Program and on Internal Control over Compliance in
Accordance with OMB Circular A-133**

The Honorable Mayor and
Members of the City Council
City of Eldridge, Iowa:

Compliance

We have audited City of Eldridge, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on City of Eldridge's major federal program for the year ended June 30, 2012. City of Eldridge, Iowa's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of City of Eldridge, Iowa's management. Our responsibility is to express an opinion on City of Eldridge, Iowa's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Eldridge, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Eldridge, Iowa's compliance with those requirements.

In our opinion, City of Eldridge, Iowa complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

The management of City of Eldridge, Iowa is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered City of Eldridge, Iowa's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Eldridge, Iowa's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of City of Eldridge, Iowa and other parties to whom City of Eldridge, Iowa may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Miner, Giboy & Meade
Certified Public Accountants, PC

Clinton, Iowa
December 17, 2012

CITY OF ELDRIDGE, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

Part I: Summary of Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.205 – Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) City of Eldridge, Iowa did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES

11-A-12 Segregation of Duties

Finding: The City of Eldridge, Iowa has a limited number of employees responsible for posting, updating, and maintain the general ledger and subsidiary ledgers. From a control standpoint, this combination of responsibilities does not effectively segregate duties to prevent, or detect and correct misstatements on a timely basis.

Recommendation: We realize segregation of duties is difficult with the limited number and capabilities of office personnel. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances. In addition, close supervision and review of financial information by the City Administrator, Council Members, and Board Trustees can help mitigate this condition.

Response and Corrective Action Planned: Certain duties will continue to be rotated among available personnel as feasible. Additionally, cross-training will continue to take place.

Conclusion: Response accepted.

11-B-12 Preparation of Financial Statements

Finding: The City of Eldridge, Iowa does not have an internal control system designed to provide for preparation of the financial statements. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for a governmental entity similar in population and staff size to the City of Eldridge. It is the responsibility of management and those charged with governance to make the decision to accept the degree of risk associated with this condition.

CITY OF ELDRIDGE, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

Part II: Findings Related to the Financial Statements (continued)

Recommendation: We realize that obtaining the expertise necessary to preparing financial statements, including all necessary disclosures, can be considered costly and ineffective. However, the City's management and those in charge with governance should decide whether to accept the degree of risk associated with this condition.

Response and Corrective Action Planned: The City will continue to review and monitor procedures currently in place and evaluate the risks to be accepted in preparation of the annual financial statements.

Conclusion: Response accepted.

Part III: Findings and Question Costs Fof Federal Awards

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major program were noted.

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-12 Certified Budget

Finding: Disbursements during the year ended June 30, 2012 exceeded the amount budgeted in the debt service function. Chapter 384.20 of the Code of Iowa, which states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation".

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable

Conclusion – Response accepted.

IV-B-12 Questionable Expenditures

Finding: No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-12 Travel Expenses

Finding: No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-12 Business Transactions.

Finding: No business transactions between the City and City officials or employees were noted.

CITY OF ELDRIDGE, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting (continued)

IV-E-12 Bond Coverage

Finding: Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

IV-F-12 Council Minutes

Finding: No transactions were found that we believe should have been approved in the Council or Utility Boards minutes but were not.

IV-G-12 Deposits and Investments

Finding: No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

IV-H-12 Revenue Bonds

Finding: The City has established the sinking reserve funds as required by revenue bonds provisions.